

United Kingdom

Construction sees recession revised away but suffers poor start to the year

- **Output down 0.2% in January**
- **Fourth quarter decline revised away to show growth**
- **Data add to disappointing economic survey news for 2016 so far**

The UK construction sector suffered a disappointing start to the year, adding to a downbeat flow of data on the health of the economy so far this year. The data follow survey evidence showing growth slowing sharply in February amid heightened uncertainty about the economic outlook.

Construction output fell 0.2% in January, according to the Office for National Statistics, with new work dropping 0.8%. Analysts had been expecting a 0.3% rise.

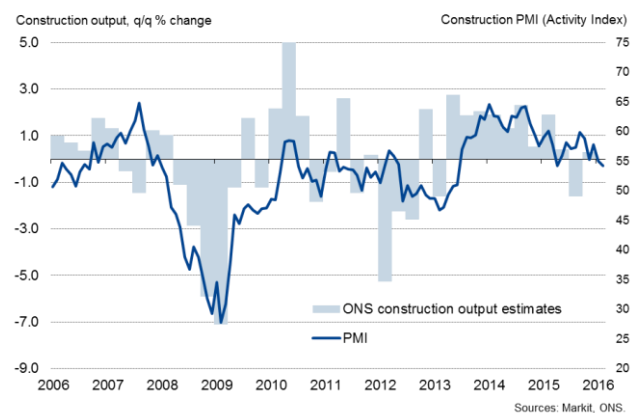
There was some better news too, however. Latest data from ONS showed that construction sector output increased by 0.3% instead of falling 0.4%, bringing the official statistics for late last year more into line with survey data. The revision also means the sector is now no longer in the technical recession that the official data had pointed to last year (output fell 1.6% in the third quarter). However, the upward revision is insufficient to lift the current fourth quarter estimate of 0.5% GDP growth higher.

The construction data come on the heels of improved industrial production numbers earlier in the week, which showed a 0.3% rise in output, the first such increase for three months. The industrial upturn was led by a 0.7% jump in manufacturing output, which swiftly reversed the three-month trend of decline seen at the end of last year. However, PMI data suggest the manufacturing rebound may prove short-lived. Having also risen sharply in January, the PMI fell steeply again in February to hit a seven-month low.

Neither does a construction revival look likely. The construction PMI slumped to a ten-month low in February, driven down in part by a slowdown in housebuilding activity.

Most concerning of all, however, was a slide in the services PMI to its lowest for almost three years, taking the PMIs down to a level consistent with [just 0.2% GDP growth](#).

UK construction: official and survey data compared



UK Manufacturing Output



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